

Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 IO-10 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15

STR-01 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00

OMB-01 XMB-02 /094 W

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R 221332Z JAN 75

FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 2757

INFO AMCONGEN ASMARA

AMEMBASSY NAIROBI

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E.O. 11652: N/A

TAGS: ECON ET

SUBJECT: INITIAL REACTIONS TO EPMG PRICE CONTROL MEASURES

REF: ADDIS ABABA 0745

1. IN AN EDITORIAL ENTITLED "FIGHTING SELFISHNESS", THE JAN 21 ETHIOPIAN HERALD ATTACKED TRADERS WHO "ARE WITHDRAWING ESSENTIAL FOODSTUFFS FROM THE MARKET BECAUSE THEIR SELFISH INTERESTS ARE BEING HARMED". CALLING SUCH ACTS "CRIMES AGAINST THE NATION", THE HERALD SAID THIS SORT OF ATTITUDE IS INCOMPATIBLE WITH SOCIALISM AND MUST BE ROOTED OUT. DESCRIBING ALL BUSINESS AS "CHEATING", THE EDITORIAL CALLED ON THE PEOPLE TO TURN THEIR ATTENTION FROM POLITICIANS TO MEMBERS OF THE BUSINESS COMMUNITY. THE HERALD SUGGESTED THAT THE GOVERNMENT TAKE OVER THE CEREAL TRADE AND THAT WORKERS SET UP COOPERATIVE SHOPS TO BUY AND SELL MERCHANDISE.

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REACTION TO MARKET DEVELOPMENTS. ACCORDING TO AN "FSL WHO

VISITED THE ADDIS MARKET ON JAN 21, NO TEFF OR WHEAT IS BEING DISPLAYED FOR SALE. PULSES AND CORN ARE READILY AVAILABLE DUE TO THEIR LOW RETAIL PRICES (CORN CURRENTLY ETH\$2 LESS THAN EPMG SET RATE). FLOW OF TEFF FROM COUNTRYSIDE IS CUT SHARPLY WITH ONLY SUPPLIES COMING FROM FARMERS FORCED TO SELL TO MEET TAX PAYMENTS OR OTHER EMERGENCY EXPENSES. PROBLEMS WITH MERCHANTS CENTER ON QUESTION OF INVENTORIES PURCHASED BEFORE CONTROLS WHICH EPMG INSISTING BE SOLD AT CONTROLLED PRICE. BLACK MARKET IN POULTRY AND CEREALS IS SPRINGING UP WITH DEALERS CLAIMING NOTHING FOR SALE AT FIXED PRICE BUT ASKING GOOD CUSTOMERS TO RETURN WHEN DIRG REPRESENTATIVES ARE NOT AROUND. TEFF SELLING "AFTER HOURS" AT ETH\$4 PER QUINTAL MORE THAN FIXED PRICE BUT ETH\$6 LESS THAN PRE-CONTROLS PRICE. IN RESPONSE TO THE "LACK" OF TEFF IN THE MARKET AT THE CONTROLLED PRICE, THE ETHIOPIAN GRAIN CORPORATION (EGC) HAS SET UP SHOP AND IS SELLING TEFF AT THE CONTROLLED PRICE. HOWEVER, EGC IS EXPERIENCING SEVERAL PROBLEMS; FIRST, ITS TEFF IS OLD AND OF VARIABLE QUALITY; SECOND, CONSUMERS MUST WAIT IN LINE SEVERAL HOURS BECAUSE OF THE LARGE NUMBER OF BUYERS; AND THIRD, THE EGC IS SELLING ONLY IN QUINTAL LOTS THUS CUTTING OUT THOSE WHO CANNOT AFFORD TO BUY SUCH A LARGE QUANTITY.

3. COMMENT: THE INITIAL MARKET RESPONSE TO THESE CONTROLS IS THE CREATION OF A BLACK MARKET. THE DIRG APPARENTLY HAS RECOGNIZED THIS AND WE UNDERSTAND THEY HAVE GIVEN THE RELIEF AND REHABILITATION COMMISSION AUTHORITY TO PROCURE 5,000 MT OF LOCAL CEREALS FOR RELIEF PURPOSES AT THE "GOING RATE". WHILE MEETINGS BETWEEN GOVERNMENT OFFICIALS AND DIRG REPRESENTATIVES NOTED REFTTEL CONTINUE, WE STILL HAVE NO INDICATION OF THE PROSPECTS FOR MODIFYING THE CONTROLS.
WYMAN

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